

Strategic Supplier Alliances

What is it:

A Strategic Supplier Alliance is an agreement outside of a contractual document.

“...a buyer/seller agreement that transcends purchasing transactions to strategies for sharing information and working together that fully leverage the buying power of the customer and fully take advantage of the supplier’s capability to deliver superior value.”

- Alliances are sponsored, established, and /or managed through our Management Councils, and accountable to the Corporate Council.
- Alliances may be formed with virtually any contractor who is interested in doing so.
- Alliances will be individualized based upon the performance and goals of the individual contractor and its customers.

The key to building Strategic Supplier Alliances is establishing a central, high-level point of contact between DoD and the key supplier. This “one-face” approach is operationalized through an Alliance Sponsor Steering Group (ASSG). The ASSG is chaired by senior government and industry leaders and is responsible for implementation.

The key elements of a Strategic Supplier Alliances include:

- **Contracting processes** that reduce administrative lead time, costs and rework
- **Standard pricing methods** that leverage DoD's buying power, create incentives for the supplier to deliver more value per dollar received, and reduce the need for the level of ongoing oversight
- **Quality assurance/continuous improvement practices** that allow DoD to shift resources from supplier source inspection oversight to partnering with the supplier to design for quality.
- **Ongoing communication and education** efforts that maintain alignment of goals and promote quick resolution of conflicts between DoD and the supplier organizations.

The benefits of Strategic Supplier Alliance include:

- **Reduced total cost to the end-user** (Both order purchasing transaction costs and infrastructure)
- **Improved supplier product quality** (With minimized need for source inspection)
- **Faster delivery to the end user** (And the elimination of back orders)
- **Reduced total cost of ownership**(Measured in purchase price reductions over time for the same value delivered)
- **Reduced inventory levels for both DoD and Suppliers**.(By moving more products to just-in-time/direct vendor delivery supply model)
- **Improved strategic supplier satisfaction** (Through more opportunity provided by DoD for the supplier to increase the return on investment.)

Implementation:

The DoD Strategic Supplier Alliance initiative is designed to provide DoD and its key suppliers with a better “return on their total relationship.” The goal is to increase the value and decrease the cost of doing business.

Each Strategic Supplier Alliance must be tailored to the specific circumstances of the relationship between the supplier and DoD.

Priority for participation in the Strategic Supplier Alliance Program is being given to suppliers meeting the following criteria:

- Currently provide products and support to several of the military services--Air Force, Army, Navy, Marine and Coast Guard or Defense Agencies
- Annual sales to DoD are at least \$100M per year.

Implementation of the alliance program employs Rapid Improvement Teams (RIT) as the catalyst for driving the development and execution of plans that will improve the total DoD supplier relationship. A RIT is an Integrated Process Team with short timeframes set for accomplishment of the established goals.

Rapid Implementation Teams are chartered by OSD and accountable to the Corporate Council through the Management Councils established for each facility. These Rapid Implementation Teams will operate in sixty to ninety day timeframes to complete specific assignments.

Current Alliances:

- **Honeywell** – Focus on Quality Assurance - Supports MRM #10

POC: Peter Angiola, DCMC-OB, (703) 767-7504

- **Goodyear** - Focus on Delivery Surveillance and Payment

POC: Wayne Easter, DCMC-OB, (703) 767-2367

Supplier Requirements:

- Obtain Chief Executive Officer or Chief Operating Officer sponsorship and commitment necessary priority and funding to establish the identified Strategic Supplier Alliance.
- Assign Vice Presidents or senior level representatives from their contracting, manufacturing, logistics, and quality functions to the Alliance Sponsor Steering Group.
- Designate an appropriate member of the supplier's senior leadership team to co-chair the ASSG with a DoD co-chairperson.